

Message Text

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64

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 L-03 H-02 DODE-00 PA-01 PRS-01

INT-05 EA-06 /071 W

----- 043443

R 031128Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9681

INFO AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMCONSUL SIDNEY

USDOC WASHDC

LIMITED OFFICIAL USE NEW DELHI 8907

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJ: KUDREMUKH IRON ORE PROJECT

REF: NEW DELHI 7289

1. THE GOI HAS ANNOUNCED THAT A THREE-MAN IRANIAN TEAM ARRIVED IN NEW DELHI IN LATE JUNE FOR FINAL NEGOTIATIONS ON THE KUDREMUKH PROJECT. AN AGREEMENT WAS SIGNED BETWEEN THE NATIONAL IRANIAN STEEL INDUSTRIES CORP., AND THE STEEL AUTHORITY OF INDIA WHICH MUST NOW BE RATIFIED BY THE TWO GOVERNMENTS.

2. LOCAL PRESS AND TRADE SOURCES INDICATE THAT THIS IS EXPECTED TO TAKE PLACE BY JULY 15 AND THAT THE ELEMENTS OF THE AGREEMENT WHICH COVERS THE FINANCING OF THE PROJECT BY IRAN AND THE SHIPMENT OF THE CONCENTRATES TO IRAN BY INDIA ARE AS FOLLOWS:
IRAN IS TO EXTEND A TOTAL CREDIT OF \$630 MILLION OF WHICH \$250

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MILLION IS AN ADVANCE PAYMENT. THE CREDIT WILL BE UTILIZED FOR

THE ESTABLISHMENT OF FACILITIES FOR BENEFICIATION, MAGNETIC SEPARATION AND THE SHIPMENT OF ORE SLURRY BY PIPELINE TO THE PORT OF MANGALORE. THE GOI AGREES TO DEVELOP THE PORT OF MANGALORE AND ATTENDANT FACILITIES BY 1979. INDIA WILL SUPPLY 7.5 MILLION METRIC TONS PER YEAR OF IRON ORE CONCENTRATES FOR A PERIOD OF 20 YEARS (TOTAL 150 MILLION METRIC TONS). TO PRODUCE 7.5 MILLION METRIC TONS OF CONCENTRATES IT IS ESTIMATED THAT 20 MILLION METRIC TONS OF ORE WILL BE EXTRACTED.

3. IT IS EXPECTED THAT THE ADVANCE PAYMENT OF \$250 MILLION WILL APPROXIMATE THE TOTAL CIF COST. OF THE FIRST TWO YEARS' SHIPMENTS AND IN 20 YEARS THE GOI HOPES TO EARN \$2.5 BILLION FROM THE PROJECT. THE AGREEMENT CONTAINS A PRICE ESCALATION CLAUSE WHEREBY THE PRICE IN SUBSEQUENT YEARS IS LINKED TO INTERNATIONAL PRICES. WE UNDERSTAND THAT THE CLAUSE STIPULATES THAT INDIA WILL GET TWO-THIRDS OF ANY INCREASE, AND IRAN WILL BE COMPENSATED FOR TWO-THIRDS OF ANY DECREASE IN PRICE.

4. WE ARE ATTEMPTING TO CONFIRM THE ABOVE WITH OFFICIALS OF THE STEEL AUTHORITY OF INDIA.

5. FOR SIDNEY: PLEASE PASS TO KAISER/J.TAYLOR.
SAXBE

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Message Attributes

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Margaret P. Grafeld
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